



September 21, 2005

David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and Energy Reliability, TD-1
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Energy Policy Act of 2005, Section 1234 Economic Dispatch Study

Dear Mr. Meyer:

International Transmission Company ("International Transmission") is supportive of the efforts to undertake an economic dispatch study and appreciates the opportunity to take part in this survey. International Transmission is an independent electric transmission company whose service territory covers approximately 7,600 square miles throughout 13 counties in Southeastern Michigan. Our facilities include approximately 2,700 circuit miles of overhead and underground transmission lines. As an independent transmission company whose business model is adaptable to any foreseeable market configuration, ITC is uniquely positioned to comment on this questionnaire and offers the responses below for your consideration.

Question 1: What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area)?

In our region the Midwest Independent Transmission System Operator or Midwest ISO (www.midwestiso.org), performs the economic dispatch function via the Midwest Market. Please consult Midwest ISO for the relevant statistics.

Question 2: Is the Act's definition of economic dispatch (see above) appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

The definition of "economic dispatch" as applied to most centralized markets is not appropriate. The term "cost" should be replaced by "market bid price" to reflect the fact that for generation resources participating in these markets the bid price may or may not

equal the marginal cost. For entities not participating in bid-based markets, the definition should be modified such that “lowest cost” is changed to “lowest production cost”.

Generally, economic dispatch should be practiced over a large geographic area encompassing natural trading patterns assuming technical feasibility (i.e. solvable transmission models) and commensurate benefit to customers while observing reliability constraints. In Docket No. ER03-262, I testified before the Federal Energy Regulatory Commission on this matter, and expressed that a rational Midwestern United States Regional Transmission Organization (“RTO”) boundary would encompass all of the Midwest ISO and PJM Interconnection, Tennessee Valley Authority, New York, and Ontario, Canada, if possible.

Besides cost and reliability, technical feasibility of models must be considered. The Energy Management System (“EMS”) computer model must be able to quickly and consistently arrive at solutions for market based dispatch tools to function properly. Seams coordination is another important consideration for economic dispatch because differences in market rules may lead to less efficient dispatch solutions.

Question 3: How do economic dispatch procedures differ for different classes of generation, including utility-owned versus non-utility generation? Do actual operational practices differ from the formal procedures required under tariff or federal or state rules, or from the economic dispatch definition above? If there is a difference, please indicate what the difference is, how often this occurs, and its impacts upon non-utility generation and upon retail electricity users. If you have specific analyses or studies that document your position, please provide them.

International Transmission, as an independent transmission company, believes that all generation should be permitted to participate equally in the market dispatch without regard to class.. Midwest ISO should be consulted as to its specific business practices and market rules currently in place.

Question 4: What changes in economic dispatch procedures would lead to more non-utility generator dispatch? If you think that changes are needed to current economic dispatch procedures in your area to better enable economic dispatch participation by nonutility generators, please explain the changes you recommend.

In terms of the Midwest ISO market, the economic dispatch of generation resources, including non-utility generators, is dependent on their bidding behavior. However, the actual dispatch of both utility and non-utility generators may be impacted by transmission constraints within the grid. Elimination of such constraints, where feasible and cost-effective, would ensure the participation of all generation resources and result in an improved optimal dispatch. International Transmission recommends striving for unconstrained deliverability of all generation resources which ultimately results in lower energy prices for customers.

Question 5: If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts? How would this affect retail customers in particular states or nationwide? If you have specific analyses to support your position, please provide them to us.

International Transmission believes that unconstrained dispatch of utility and non-utility generation resources offers the opportunity to lower overall delivered energy costs for all customers, including retail customers.

Question 6: Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

Reliability of the transmission system must be the primary objective. Greater use of economic dispatch should not adversely impact reliability as long as reliability constraints are observed. While economic dispatch can minimize energy-related costs, grid congestion often limits its effectiveness. Elimination of such congestion, where feasible and cost-effective, will maximize the benefits of economic dispatch and minimize the total price of electricity for end users. Such transmission infrastructure improvements will also increase the reliability of the system.

International Transmission appreciates the opportunity to respond to these questions. If you have any questions, please contact me at 248-374-7132 or by email at rschultz@itctransco.com at your convenience.

Respectfully submitted,
Richard A. Schultz
Vice President, Asset Planning

Cc: Alison Silverstein
Joe Eto